

Bloomberg News and the Wall Street Journal reported on the [investigation Chairman Towns launched](#) into Prudential Insurance Company's failure to pay cash to the families of fallen soldiers.

[From Bloomberg News:](#)

Representative Edolphus Towns, chairman of the House Oversight and Government Reform Committee, said his panel will investigate the insurance benefits for U.S. soldiers provided by Prudential Financial Inc. and the Department of Veterans Affairs.

Bloomberg Markets magazine reported July 28 that Prudential holds payments owed to the families of fallen soldiers in its general corporate account and sends survivors "checkbooks" that aren't insured by the Federal Deposit Insurance Corp. The company earns profit on the money held and pays beneficiaries interest.

Several members of Congress have called for an examination of the program administered by Veterans Affairs, and the agency is conducting its own review. Lawmakers are proposing fuller disclosure for beneficiaries of their right to accept lump-sum payments or have the money held in Prudential's accounts.

"I am particularly concerned that some families of soldiers killed while serving their country may not understand that they have the right to this money up front," Towns, a New York Democrat, said in a statement.

[From the Wall Street Journal:](#)

Towns, chairman of the House Oversight and Government Reform committee, opened the investigation after it was alleged Prudential doesn't automatically deliver a lump-sum check to the families of deceased soldiers, but instead deposits the money in its own general fund. Prudential then tells the families that an account has been opened for them and sends families a checkbook "that they may use at any time," according to Towns.

The House's investigation follows a fraud investigation that was launched late last month by New York Attorney General Andrew Cuomo. Prudential, MetLife Inc. (MET) and six other insurers were subpoenaed into how the life insurers make payouts to policy beneficiaries... By keeping the money, insurers are able to earn a higher return on the funds than they pay out in interest. The practice has been around since at least the mid-1990s, and is monitored and approved by state regulators, who argue it can serve as a useful option for consumers too bereft to make immediate financial decisions.

But Towns expressed concern in the practice, saying some families of the soldiers might not understand that they have the right to the money upfront. In a letter to Prudential's Chairman and Chief Executive John Strangfeld, Towns is seeking information into whether the families were fully informed of their options; whether the money is adequately guaranteed since it is not deposited in a bank account backed by the Federal Deposit Insurance Corporation, and

whether the interest paid on those accounts is adequate.